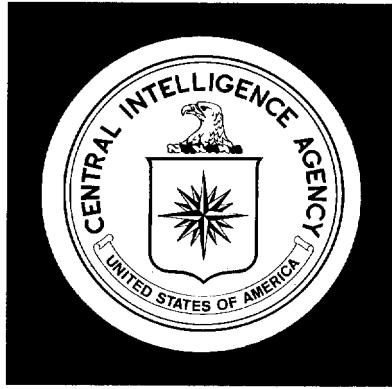
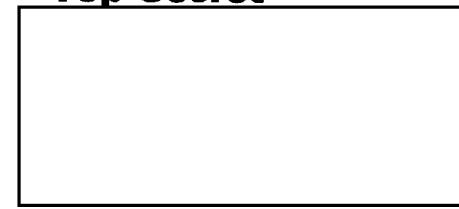


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PORTUGAL: Consultations between the ruling junta and a wide range of political leaders has intensified as the deadline for naming a provisional government approaches.

The junta has provided office space to at least four major political groups--Communists, Socialists, Liberals, and Democrats--and most of the visitors to junta headquarters are representatives of this portion of the political spectrum. Rightist General Kaulza De Arriaga and former Education Minister Viega Simao have also been consulted, however.

The frequent meetings between former bar association president Adelino Palma Carlos and the junta have heightened speculation that he will play a prominent role in the new government. Palma Carlos is not aligned with any political group, which allows him to move freely among the many parties without committing himself to any single faction.

Mario Soares, the leader of the Portuguese Socialist Party, is drawing considerable attention in the press, but he may prefer to remain outside the administration so he can better organize and prepare his party for elections next year. Soares' remarks at a press conference last week suggest that he is concerned that his party will be overwhelmed by the proliferation of political parties--he said there were now 53--and the well-entrenched Portuguese Communist party.

General Spinola is expected to be sworn in as President early this week and the provisional government will be named shortly thereafter. There is no evidence of serious dissension, as has been expressed in some quarters, between the junta and the young officers who precipitated the coup and are now organized as the "Movement of the Armed Forces."

One possible area of disagreement is the African territories issue. The senior officers in the junta prefer permitting self-determination at some future date while the younger officers in the Movement favor

immediate independence. At the moment the junta is making the decisions, and the Movement's role appears to be confined to ensuring that there is no significant deviation from the junta's program, a role that may continue during the life of the provisional government.

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FEDAYEEN: Fedayeen leaders are continuing the series of meetings begun last week to complete agreement on settlement issues.

Press reports from the Middle East indicate that significant disagreements remain over whether to attend the Geneva conference and work for the establishment of a Palestinian state comprising the West Bank and Gaza, despite an earlier report that agreement had been reached. The meetings are being attended by the leaders of all fedayeen organizations with the exception of Ahmad Jabril, head of the Popular Front for the Liberation of Palestine-General Command, which was responsible for the massacre at the Israeli village of Qiryat Shemona in April.

Fedayeen agreement on going to Geneva and on accepting a truncated Palestinian state will probably hinge in large measure on the success of current Syrian-Israeli disengagement negotiations. Even in the event the Fedayeen leaders unanimously agree on these two points, the adherence of radical figures such as George Habbash of the Popular Front for the Liberation of Palestine will be largely tactical. The radicals, who still aim ultimately at the annihilation of Israel, would probably consider such an agreement only a short-term measure designed to gain time and avoid being left out of the Geneva negotiations.

CHINA: The press of domestic business may have forced China's aging Premier Chou En-lai to cut back on some of the ceremonial aspects of his dealings with visiting foreign dignitaries. A member of the inner circle around Mao and Chou has suggested that the 76-year-old Premier may pass up some purely protocol duties to concentrate on more important matters. These comments were by way of explanation for Chou's failure to attend a state banquet on May 9 given by visiting Senegalese President Senghor. The official explanation was that Chou was feeling slightly indisposed, due primarily to old age.

There is no reason to believe, however, that the Premier intends to reduce his participation in substantive discussions with foreign visitors. Indeed, Chou met with Senghor for several hours the afternoon before the banquet, at which time he reportedly apologized in advance for having to miss that evening's activity.

Upon greeting visiting Pakistani President Bhutto on May 11, Chou is said to have apologized for not being well enough to meet him at the airport. Nevertheless, the Premier accompanied Bhutto to a meeting with Mao and has held further talks with the Pakistani President.

Domestic politics appear to be making greater demands on Chou's time and constitution. The ongoing anti-Confucius campaign is now characterized by increasing factional strife in the provinces that seems to reflect serious differences at the top over major policy and personnel issues. Judging from the more moderate tone of the propaganda in recent weeks and the steady flow of official instructions emphasizing the orderly conduct of the campaign, Chou seems to be devoting considerable time to this problem. If at the same time he is beginning to feel his age, a slight reduction in his ceremonial duties is not surprising.

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The Chinese are anxious to make it clear that Chou's lower public profile does not signal any change in his political status. The official party newspaper noted expressly that Bhutto was visiting China at Chou's invitation, and Vice-Premier Li Hsien-nien remarked at the Senghor banquet that he was speaking on behalf of the Premier.

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NATO-US: Belgium, Denmark, the Netherlands, and Norway may not make a decision on a replacement for their aging F-104 fighters until sometime next year.

The US Embassy in Oslo reports that Secretary Schlesinger's recent statement to Congress supporting the development of a lightweight fighter has had considerable impact in Norway. The statement has apparently reinforced Oslo's view that the four countries must give full consideration to selecting a US aircraft. The US Air Force next spring is expected to finish a year-long evaluation of prototypes now under development. If the NATO countries follow Oslo's view, a final decision would have to be postponed until 1975.

Belgium apparently has been persuaded to delay making a decision until September. By doing so, it will lose the present price guarantee offered by the French on their F-1 Super Mirage. [Redacted]

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[Redacted] personnel changes in the Belgian Ministry of Defense could affect Brussels' views on the replacement aircraft, perhaps enhancing prospects for the purchase of a US aircraft. [Redacted]

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JAPAN: Tokyo is having some success in slowing the domestic price spiral. The slowdown in wholesale price increases reflects Tokyo's continuing monetary and fiscal restraints, as well as the freeze on the wholesale prices of more than 50 basic items.

The wholesale price index rose only 0.7 percent in April, about the same as in March, in contrast to more than 20 percent in the four-month period ending in February. Consumer prices, however, apparently advanced rapidly in April.

Finance Minister Fukuda has conceded that prices probably will rise substantially in the coming months and has suggested that a stable price level may not be reached until autumn. He hopes to delay the removal of controls until he is sure that no broad price surge will result.

The impact of a 60-percent increase in oil product prices that was authorized in mid-March has not yet been fully felt throughout the economy, and a commensurate increase in electric power rates may have to be permitted soon. A wave of wage increases on the order of 30 percent in late April will also exert strong upward pressure on prices in the coming months.

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FOR THE RECORD



USSR-China: Despite the increased frictions resulting from China's detention of a Soviet helicopter crew since March 14, Moscow and Peking are negotiating a new trade agreement. Talks have been under way in Peking for the last two weeks and signing appears imminent. Deputy Minister of Foreign Trade Grishin arrived in Peking on May 11. In the last couple of years the annual Sino-Soviet trade turnover has been around \$200 million. The amount is considerably below the \$1 billion or so traded before the Sino-Soviet rift, but considerably above the amounts traded during China's Cultural Revolution.

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